

Message Text

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 4770

DEPARTMENT OF TREASURY IMMEDIATE

USIA WASHDC IMMEDIATE

USINFO WASHDC IMMEDIATE

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USOECD

STATE FOR S/PRS

USINFO FOR IPS, IBS

STATE PASS NSC FOR BRZEZINSKI AND WHITE HOUSE FOR
POWELL

E.O. 11652: N/A

TAGS: OVIP (VANCE, CYRUS) (BLUMENTHAL, W. MICHAEL)

SUBJECT: JOINT NEWS CONFERENCE OF SECRETARIES VANCE
AND BLUMENTHAL AT OECD, JUNE 24

1. FOLLOWING IS THE TEXT OF THE JOINT NEWS CONFERENCE
HELD BY SECRETARY OF STATE VANCE AND TREASURY
SECRETARY BLUMENTHAL, AS RECORDED BY USIS:

VANCE: PERHAPS I MIGHT SAY A WORD OR TWO OF INTRODUC-
TION AND THEN MIKE AND I WILL BE HAPPY TO TRY TO
ANSWER ANY QUESTIONS. THE PRESENCE OF SECRETARY
BLUMENTHAL AND MYSELF DEMONSTRATES THE FIRM
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COMMITMENT OF THE UNITED STATES TO CLOSE COOPERATION
AND COORDINATION WITHIN THE OECD. AS ALL OF YOU KNOW
THE OECD IS THE MAJOR FORUM FOR ECONOMIC POLICY COORDINA-
TION AMONG THE INDUSTRIALIZED DEMOCRACIES. THE EFFORTS
TOWARD ECONOMIC COOPERATION HAVE MET IN MY JUDGMENT WITH
GOOD SUCCESS. THE RECENT MEETINGS OF THE CHIEFS OF
STATE AND GOVERNMENT PROVIDED AN IMPORTANT STIMULUS

TO THESE EFFORTS. AT THIS OECD MEETING WE HAVE HAD AN OPPORTUNITY TO MEET TOGETHER WITH ALL OF OUR COLLEAGUES WITHIN THE 24 MEMBER GROUPING AND THIS HAS PROVED VERY HELPFUL AND USEFUL TO US. ASIDE FROM THE DETAILS OF WHAT WE WILL DISCUSS HERE TODAY, I THINK THE VERY FACT THAT THIS MEETING HERE IN PARIS HAS TAKEN PLACE IS A DEMONSTRATION OF THE SOLIDARITY OF OUR COUNTRIES IN WORKING TOGETHER TO MEET THE ECONOMIC PROBLEMS WHICH FACE OUR NATIONS AND THE WORLD. A WORD WITH RESPECT TO THE MEETINGS OF YESTERDAY WHICH HAD THEIR FOCUS ON RELATIONSHIPS WITH DEVELOPING COUNTRIES, I THINK A VERY IMPORTANT ASPECT OF YESTERDAY'S DISCUSSIONS WAS THE FACT THAT THERE WAS AN ENDORSEMENT BY ALL 24 OF THE AGREEMENTS REACHED AT THE CIEC MEETING. A NUMBER OF PEOPLE WHO WERE HERE AT THIS MEETING WERE NOT PRESENT AT CIEC BUT THEY ALL ENDORSED THE COMMITMENTS WHICH WERE MADE BY ALL OF US AT THE CIEC MEETING. IN ADDITION I THINK IT'S IMPORTANT TO POINT OUT THAT YESTERDAY, IN THE DECLARATION WHICH WAS ISSUED, WE HAVE AGREED AMONG THE 24 TO PLACE NEW EMPHASIS ON MEETING BASIC HUMAN NEEDS AND I THINK THIS AN IMPORTANT STEP. WE ALSO AGREED ON SUCH FUNDAMENTAL ISSUES AS THE NEED TO IMPROVE THE SUPPLY AND DEMAND BALANCE FOR ENERGY THROUGH DOMESTIC POLICIES, TO RENEW AND STRENGTHEN THE OECD TRADE PLEDGE AND A NUMBER OF SPECIFIC ECONOMIC ITEMS WHICH I WILL ASK MIKE TO SPEAK TO. I WOULD ALSO

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CALL ATTENTION TO THE FACT THAT WE HAVE AGREED TO PAY SPECIAL ATTENTION TO THE PROBLEMS OF YOUTH UNEMPLOYMENT, WHICH IS A PROBLEM THAT NOT ONLY IS IMPORTANT TO THE UNITED STATES BUT TO PRACTICALLY ALL OF THE COUNTRIES WHO ARE GATHERED HERE FOR THIS MEETING. MIKE, IF YOU MIGHT TAKE UP THEN AND SPEAK TO THE ECONOMIC ASPECTS OF IT. WE CAN THEN ANSWER QUESTIONS.

BLUMENTHAL: I THINK THERE ARE A NUMBER OF MATTERS DECIDED HERE WHICH ARE OF CONSIDERABLE SIGNIFICANCE. THE RENEWAL OF THE TRADE PLEDGE FIRST AGREED TO IN 1974, UNDER WHICH COUNTRIES COMMIT THEMSELVES NOT TO TAKE PROTECTIONIST MEASURES TO DEAL WITH INTERNAL ECONOMIC PROBLEMS IS A VERY IMPORTANT STEP. IN ADDITION THE RENEWED EMPHASIS WHICH HAS BEEN GIVEN HERE TO THE URGENT NEED TO PROCEED QUICKLY AND SUBSTANTIVELY WITH THE MULTILATERAL TRADE NEGOTIATIONS IN GENEVA FITS IN WITH THAT GENERAL OBJECTIVE OF EXPANDING TRADE AND KEEPING

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TO SECSTATE WASHDC IMMEDIATE 4771

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TRADE BARRIERS DOWN. THE DISCUSSION IN REFERENCE TO THE
NEED TO COOPERATE TO BRING ABOUT MORE OFFICIAL FINANCIAL
RESOURCES IN THE WORLD IN ORDER TO MEET TEMPORARY
BALANCE OF PAYMENTS PROBLEMS OF INDIVIDUAL COUNTRIES IS
ALSO OF CONSIDERABLE IMPORTANCE AND IN PARTICULAR WITH
REGARD TO THE GENERAL DESIRABLE TARGET OF A FIVE PER
CENT GROWTH FOR NEXT YEAR, THE PROCEDURE THAT HAS BEEN
ESTABLISHED UNDER WHICH INDIVIDUAL COUNTRIES WILL SUBMIT
THEIR PLANS TO THE OECD LATER THIS YEAR AND FORM AN
EVALUATION BY THE OECD DISCUSSION OF THESE INDIVIDUAL
GOALS WILL THEN TAKE PLACE IN THE ECONOMIC POLICY COM-
MITTEE IN ORDER TO SEE TO WHAT EXTENT THEY ARE
CONSONANT WITH ACHIEVING THE OVERALL DESIRED TARGET OF
FIVE PER CENT REPRESENTS A GOOD MEANS OF FOLLOWING UP
ON THE COMMITMENT TO WORK TOGETHER THAT WE HAVE ALL
SUBSCRIBED TO.

VANCE: I MIGHT JUST ADD ONE MORE WORD: THE
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MEETINGS HAVE ALSO BEEN VERY USEFUL IN THAT THEY HAVE

PROVIDED AN OPPORTUNITY FOR BOTH MIKE AND MYSELF TO MEET WITH A NUMBER OF FOREIGN AND FINANCE MINISTERS AND TO DISCUSS WITH THEM NOT ONLY MATTERS THAT SPRING FROM THIS CONFERENCE, BUT TO DISCUSS OTHER MATTERS OF MUTUAL CONCERN ON BOTH GLOBAL AND BILATERAL ISSUES.

FIRST QUESTION: MR. SECRETARY, JIM GOLDSBOROUGH OF THE HERALD TRIBUNE: RELATIVE TO YOUR MEETING WITH FRENCH PRESIDENT GISCARD D'ESTAING TODAY, I WOULD LIKE TO ASK WHETHER YOU SHARE THE CONCERN EXPRESSED BY THE FRENCH OVER THE STATE OF U.S.-SOVIET RELATIONS? WILL YOU REPORT ON IT TO PRESIDENT CARTER?

VANCE: DURING MY MEETING WITH M. GISCARD D'ESTAING THIS MORNING WE DISCUSSED THE RECENT MEETING WHICH HE HAD WITH GENERAL SECRETARY BREZHNEV AND HE REPORTED TO ME THE VIEWS OF THE GENERAL SECRETARY ON A NUMBER OF MATTERS INCLUDING MATTERS WHICH ARE OF INTEREST PARTICULARLY TO THE UNITED STATES AS WELL AS OTHER GENERAL MATTERS. I WILL CERTAINLY CONVEY THESE MESSAGES BACK TO PRESIDENT CARTER; I WILL BE MEETING WITH PRESIDENT CARTER FOR BREAKFAST TOMORROW MORNING WHEN I RETURN TO THE UNITED STATES AND WILL PROFIT FROM THE DISCUSSION WHICH I HAD WITH PRESIDENT GISCARD D'ESTAING TODAY.

QUESTION 2: MR. VANCE, MR. SECRETARY: YOU CALLED THEM MESSAGES, IS THERE A MESSAGE FROM MR. BREZHNEV TO PRESIDENT CARTER?

VANCE: NO.

QUESTION 3: MR. SECRETARY: WHY HAVE YOU AND THE
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BRITISH FOREIGN SECRETARY DECIDED AT THIS TIME TO MAKE YET ANOTHER ATTEMPT AT NEGOTIATING THE RHODESIAN SITUATION? HAVE YOU RECEIVED IN THE LAST WEEK OR TEN DAYS SOME ENCOURAGING INFORMATION THAT A NEW ATTEMPT MIGHT PROVE MORE SUCCESSFUL?

VANCE: THIS IS AN ONGOING PROCESS. WE AND OUR BRITISH COLLEAGUES HAVE BEEN WORKING AT THIS PARTICULAR EFFORT FOR THE LAST SIX TO EIGHT WEEKS. WE HAVE BEEN IN DAILY COMMUNICATION WITH EACH OTHER AND OUR REPRESENTATIVES IN THE FIELD. MR. LAW AND MR. GRAHAM HAVE BEEN WORKING SIDE BY SIDE IN DISCUSSIONS WITH ALL OF THE PARTIES INVOLVED. THIS WAS AN OCCASION WHICH BROUGHT TOGETHER BOTH THE FOREIGN SECRETARY AND MYSELF AND GAVE US AN OPPORTUNITY TO SIT DOWN AND REVIEW WHERE WE STAND AT THIS POINT WITH OUR TWO REPRESENTATIVES ON THE GROUND

IN THE RHODESIAN AREA AND PERMITTED US TO ARRIVE AT
JOINT INSTRUCTIONS TO THEM WHICH THEY WILL BE CARRYING
OUT WHEN THEY RETURN, I BELIEVE IT'S EITHER THE 5TH OR
THE 6TH OF JULY.

QUESTION 4: SIR, YOU SAID THAT YOU MEANT TO
REVIEW WHERE YOU STAND ON THE RHODESIAN SITUATION.
COULD YOU GIVE US AN IDEA OF WHERE WE STAND NOW?

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TO SECSTATE WASHDC IMMEDIATE 4772

DEPARTMENT OF TREASURY IMMEDIATE

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VANCE: WHERE WE STAND NOW IS THAT WE ARE IN CONSULTA-
TION WITH ALL OF THE PARTIES WHO WOULD BE INVOLVED IN
A SETTLEMENT OF THE RHODESIAN PROBLEM. WE HAVE BEEN
DISCUSSING WITH THEM SUCH QUESTIONS AS WHAT A NEW
CONSTITUTION MIGHT LOOK LIKE AND OTHER MATTERS WHICH I
DON'T CHOOSE TO GO INTO AT THIS MOMENT. BUT THAT IS
THE GENERAL NATURE OF WHAT WE DISCUSSED.

QUESTION 5: MR. SECRETARY, BERNARD VALERY OF NEW
YORK DAILY NEWS: DID, OR MAY I ASK YOU WHETHER YOU
DISCUSSED WITH PRESIDENT GISCARD D'ESTAING THE PROB-
LEMS OF EUROCOMMUNISM?

VANCE: WE DID NOT DISCUSS THAT.

QUESTION 6: DID YOU DISCUSS THE FRENCH INTERNAL SITUATION IN THIS REGARD?

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VANCE: NO.

QUESTION 7: COULD I ASK THIS QUESTION TO SECRETARY BLUMENTHAL: COULD HE COMMENT ON THE PROSPECTS OF CONGRESS ADOPTING AND APPROVING THE SPECIAL OECD FUND TO WHICH REFERENCE IS MADE IN THE COMMUNIQUE, ALL THE MORE IMPORTANT BECAUSE OF THE MODEST SUCCESS THAT DR. WITTEVEEN HAS HAD IN RAISING FUNDS IN THE IMF SPECIAL FACILITY AT THE SAME TIME IF I COULD ASK HIM IN VIEW OF THE TRADE PLEDGE THAT THE UNITED STATES ADMINISTRATION ALONG WITH OTHERS IS NOW COMMITTED TO, ARE YOU CONFIDENT THAT YOU CAN GET CONGRESSIONAL APPROVAL FOR ANY CHANGES IN U.S. LAW THAT MIGHT BE MADE NECESSARY AS A RESULT OF CURRENT COURT PROCEEDINGS WHICH ARISE FROM PROPOSALS TO IMPOSE IMPORT LEVIES ON CERTAIN INDUSTRIES WHERE THERE ARE TAX REBATES PAID TO THOSE EXPORTERS?

BLUMENTHAL: WITH REGARD TO THE FIRST PART OF YOUR QUESTION, THE RESULTS OF THE EFFORTS WHICH MR. WITTEVEEN IS PRESENTLY UNDERTAKING TO PUT TOGETHER WHAT HAS COME TO BE CALLED THE WITTEVEEN FACILITY ARE NOT YET CLEAR AND IT IS OUR POSITION THAT WE MUST WAIT FOR THAT SITUATION TO CLARIFY AND THAT THE CHANCES FOR HIS SUCCESS ARE QUITE GOOD. IN THAT CASE WE FEEL THAT THERE WOULD BE ENOUGH RESOURCES AVAILABLE, PARTICULARLY IF YOU TAKE INTO ACCOUNT THE PROBABILITY THAT THE INTERNATIONAL MONETARY FUND WILL ALSO AGREE, MEMBERS OF THE FUND WILL ALSO AGREE ON A FURTHER INCREASE IN QUOTAS BY FEBRUARY OF NEXT YEAR, THAT TOGETHER THESE TWO RESOURCES WOULD BE SUFFICIENT TO TAKE CARE OF ANY EMERGENCIES THAT MAY ARISE. UNDER THOSE CIRCUMSTANCES

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IT DOES NOT APPEAR TOO LIKELY THAT THE U.S. CONGRESS WOULD ALSO AT THE SAME TIME APPROVE YET ANOTHER FACILITY SUCH AS THE SUPPORT FUND. HOWEVER, WE HAVE INDICATED HERE THAT IF IT SHOULD TURN OUT THAT CONTRARY TO OUR

EXPECTATIONS THE WITTEVEEN FACILITY CANNOT BE PUT TOGETHER THEN OF COURSE THE U.S. ADMINISTRATION WOULD REVIEW ALL OF THE ALTERNATIVES AVAILABLE TO US INCLUDING THE POSSIBILITY OF A SUPPORT FUND, AND DISCUSS THAT WITH THE CONGRESS BUT AT THIS POINT I REALLY COULDN'T SAY THAT THE ABSENCE OF A FAILURE ON THE WITTEVEEN FACILITY THE CHANCES WOULD BE TOO GOOD TO BE SUCCESSFUL THERE.

WITH REGARD TO THE SECOND QUESTION THAT YOU RAISED, THE MATTER TO WHICH YOU REFER IS PRESENTLY BEFORE THE COURTS. THE U.S. ADMINISTRATION IS MAKING EVERY EFFORT TO HAVE THE COURTS DENY THE PROPOSITION THAT THESE INTERNAL TAXES ARE IN FACT NOT REBATABLE AND IT WILL TAKE SOME TIME FOR THAT MATTER TO BE DECIDED. IF IT GOES TO THE SUPREME COURT I WOULD EXPECT THAT IT WOULD BE NEXT SPRING BEFORE THE MATTER IS DECIDED. WE CANNOT SPECULATE AS TO WHAT WOULD HAPPEN IF IT WERE DECIDED OTHERWISE AND CERTAINLY WE WOULD THEN HAVE TO FACE A SERIOUS SITUATION AND SEE WHAT COULD BE DONE. THAT'S SOMEWHAT IN THE FUTURE AND WE DO THINK THAT THE COURT PROCEEDINGS WILL CLARIFY THE MATTER FULLY AND IN A POSITIVE WAY.

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TO SECSTATE WASHDC IMMEDIATE 4773

DEPARTMENT OF TREASURY IMMEDIATE

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QUESTION 8: TREUTHARDT (ASSOCIATED PRESS): SECRETARY OF THE TREASURY BLUMENTHAL: YOU AND MANY OTHER MINISTERS HAVE URGED JAPAN AND GERMANY TO CHANGE THEIR ECONOMIC POLICIES IN THE INTEREST OF THE REST OF THE WORLD. IN VIEW OF THE FACT THAT THERE SEEMS TO BE NO CLEAR RESPONSE TO THESE APPEALS, WHAT DO YOU THINK THE NEXT STEP IS, WHAT IS YOUR REACTION TO THE FACT THAT THESE VIEWS HAVE NOT YET LED TO SUCCESS?

BLUMENTHAL: WELL, I THINK THESE ARE MATTERS THAT ARE CONSTANTLY IN A STATE OF EVOLUTION AND THAT AS TIME PROCEEDS WE WILL HAVE TO SEE HOW THEY DEVELOP. IT IS A FACT THAT IN ADDITION TO THE CONSIDERABLE SURPLUS ON CURRENT ACCOUNT WHICH SOME OF THE OPEC OIL EXPORTING COUNTRIES ARE RUNNING, THERE ARE A NUMBER OF COUNTRIES, IN PARTICULAR THE FEDERAL REPUBLIC, JAPAN AND SWITZERLAND, AND THE NETHERLANDS, WHO TOGETHER ALSO ARE RUNNING

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AT THE PRESENT MOMENT A SURPLUS ON CURRENT ACCOUNT WHICH AMOUNTS TO AS MUCH AS 10 TO 12 BILLION DOLLARS. THAT'S AN ADDITIONAL PROBLEM IN THE CONTEXT OF THE WORLD ECONOMY. IF WE LOOK AT THE SITUATION IN THE UNITED STATES WE SEE THAT WE ARE RUNNING THIS YEAR IN ALL PROBABILITY A DEFICIT OF 10 TO 12 BILLION DOLLARS. CLEARLY THAT IS A SITUATION THAT NEEDS TO BE REVIEWED CONTINUALLY, AND I AM CONFIDENT THAT WITH THE KIND OF COOPERATION AND CONTINUOUS CONTACT THAT WE'RE HAVING, CHANGES IN POLICY WILL SOONER OR LATER BE TAKEN SO THAT A GREATER AND BETTER BALANCE CAN BE BROUGHT ABOUT.

QUESTION 9: SECRETARY VANCE, AS A RESULT OF YOUR TALKS WITH THE FRENCH PRESIDENT, WHAT ARE THE TROUBLE SPOTS BETWEEN THE SOVIET UNION AND THE UNITED STATES?

VANCE: OBVIOUSLY ONE OF THE TROUBLE SPOTS BETWEEN THE TWO OF US IS THE RESOLUTION OF THE DISCUSSION WHICH WE ARE HAVING IN THE FIELD OF STRATEGIC ARMS LIMITATION, THE SALT TALKS. THE DIFFERENCES BETWEEN THE SOVIETS AND OURSELVES REMAIN SUBSTANTIAL. WE MADE SOME PROGRESS AS WE HAVE PREVIOUSLY INDICATED, AT THE MEETING WHICH WE HAD IN GENEVA WITH FOREIGN SECRETARY GROMYKO. AT THAT TIME WE DEVELOPED A GENERAL FRAMEWORK FOR AN AGREEMENT IN SALT II BUT THERE ARE VERY SUBSTANTIAL DIFFERENCES, ON A NUMBER OF ITEMS, AND WHERE THEY WOULD FIT WITHIN THAT FRAMEWORK, WHICH REMAIN TO BE RESOLVED. THERE ARE OTHER DIFFERENCES WHICH WE HAVE WITH RESPECT

TO SUCH MATTERS AS THE QUESTION OF HUMAN RIGHTS AND
THERE REMAINS A CLEAR DIFFERENCE BETWEEN US
AS TO HOW THESE MATTERS SHOULD BE HANDLED. THOSE ARE
TWO EXAMPLES OF DIFFERENCES WHICH EXIST BETWEEN US.

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QUESTION 10: MR. SECRETARY, WILL THERE BE A MEETING
BETWEEN PRESIDENT CARTER AND SOVIET LEADER TO TRY TO
IRON OUT THOSE DIFFERENCES?

VANCE: I DON'T WANT TO SPECULATE ON THAT. I THINK IT
WOULD BE UNWISE TO DO SO.

QUESTION 11: IN YOUR MEETING WITH PRESIDENT GISCARD
D'ESTAING, DID YOU TALK ABOUT THE CONCORDE ISSUE?

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 4774

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VANCE: NO, IT DIDN'T COME UP.

QUESTION 12: WHY?

VANCE: I DON'T KNOW. (LAUGHTER) I GUESS BECAUSE IT'S BEEN BEFORE THE COURTS. AS YOU KNOW, IT HAS BEEN REMANDED TO THE DISTRICT COURT. THE DISTRICT COURT HAS NOW BEEN ASKED TO EXAMINE THE QUESTION OF WHETHER OR NOT THE COURT AUTHORITY HAS ACTED IN A DISCRIMINATORY FASHION. THERE IS NOTHING TO BE DONE UNTIL THE COURT REACHES A DETERMINATION IN THAT MATTER.

QUESTION 13: MR. VANCE, DO YOU THINK THAT THE FRENCH HAVE FOUND A MORE EFFECTIVE WAY TO DEAL WITH THE SOVIETS THAN WE HAVE?

VANCE: THAT'S A HARD QUESTION TO ANSWER. OUR RELATIONSHIPS WITH THE SOVIETS ARE IMPORTANT. WE REALIZE THE IMPORTANCE OF THEM. WE WILL WORK TO BETTER THOSE RELATIONSHIPS. AT THIS POINT THERE ARE STRAINS BETWEEN OURSELVES AND THE SOVIET UNION IN CERTAIN AREAS. HOWEVER, I WOULD ALSO POINT OUT THAT THERE ARE A NUMBER OF AREAS IN WHICH WE ARE DOING THINGS TOGETHER WHICH I THINK ARE OF GREAT IMPORTANCE. FOR EXAMPLE, THIS LAST WEEK WE HAD DISCUSSIONS IN THE UNITED STATES IN WHICH WE BEGAN TO EXPLORE THE POSSIBILITY OF A COMPREHENSIVE TEST BAN. WE HAD A GOOD FIRST WEEK OF DISCUSSIONS. THOSE WILL BE CONTINUING IN THE NEAR FUTURE. WE WILL BE JOINED IN THE NEXT MEETING OF THOSE DISCUSSIONS BY THE BRITISH. AT THE PRESENT TIME, DISCUSSIONS ARE GOING ON IN MOSCOW BETWEEN MR. WARNECKE AND THE SOVIET NEGOTIATORS, WHERE WE ARE BEGINNING TO EXPLORE THE PROBLEM OF THE INDIAN OCEAN AND THE POSSIBILITY OF ARMS LIMITATIONS MEASURES IN THAT AREA. WE HAVE RECENTLY SIGNED AN AGREEMENT WITH THEM IN THE FIELD OF ENVIRONMENT MODIFICATION. WE ARE GOING TO BEGIN DISCUSSIONS SOON WITH RESPECT TO THE POSSIBILITY OF A TREATY WHICH WOULD BAN CHEMICAL WARFARE. MR. BLUMENTHAL JUST RECENTLY COMPLETED A SATISFACTORY MEETING WITH THE SOVIET REPRESENTATIVES IN WASHINGTON IN THE FIELD OF TRADE MATTERS BETWEEN OUR TWO NATIONS AND I COULD GO ON AT GREAT LENGTH, SO THAT THE FACT THAT WE HAVE DIFFERENCES IN CERTAIN AREAS DOES NOT MEAN THAT WE ARE NOT TALKING IN OTHER AREAS AND MAKING PROGRESS.

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QUESTION 14: SECRETARY BLUMENTHAL, WHAT IS THE NEXT STEP IN THE REVIEW OF ECONOMIC STIMULI? HOW MUCH FARTHER DOES THAT TAKE US FROM THE LONDON SUMMIT WHERE

WE AGREED TO REVIEW THE SITUATION, YET OUR GROWTH RATES
ARE MUCH LOWER THAN TARGETED?

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BLUMENTHAL: WELL, I DON'T BELIEVE THAT IT IS ONLY A
QUESTION OF GROWTH RATES. IN THE CASE OF THE JAPANESE,
FOR EXAMPLE, IT IS QUITE POSSIBLE THAT THE GROWTH RATE
SHOULD ACTUALLY ACHIEVE, SHOULD BE CLOSE TO AND NOT
FAR OFF FROM THE FIGURES THAT WERE MENTIONED AT THE
LONDON SUMMIT. IT'S ALSO A QUESTION OF WHAT KIND OF
GROWTH YOU HAVE AND THE EXTENT TO WHICH THAT GROWTH IS
EXPORT-LED OR THE EXTENT TO WHICH IT REPRESENTS A
GROWTH IN DOMESTIC DEMAND. THE SIGNIFICANT FEATURE OF
THE AGREEMENTS AT THE DOWNING STREET SUMMIT WAS THAT
THE VARIOUS HEADS OF STATES INDICATED THAT THEY WOULD
KEEP THE MATTER UNDER REVIEW AND WOULD TAKE THE NECES-
SARY STEPS IN ORDER TO INSURE, TO THE LARGEST EXTENT
POSSIBLE, THAT THE TARGETS THAT WERE DISCUSSED WOULD
INDEED BE MET. SO THE REVIEW TO WHICH I HAVE NOW
REFERRED IS ONE IN WHICH WE HOPE COUNTRIES WILL ADJUST
THEIR POLICY, AS THEY SEE THAT THE FIGURES ARE COMING
IN DIFFERENTLY, IN ORDER TO BRING ABOUT THE KINDS OF
RESULTS DISCUSSED IN LONDON.

QUESTION 15: NOT CLEARLY AUDIBLE. RELATES TO THE
STRENGTH OF THE DOLLAR AND SOMETHING IN PARAGRAPH 13
OF THE COMMUNIQUE.

BLUMENTHAL: YOU HAVE ME AT A DISADVANTAGE SINCE I HAVE
LESS INFORMATION THAN YOU DO ABOUT THAT DEVELOPMENT.

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TO SECSTATE WASHDC IMMEDIATE 4775

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LOOKING AT PARAGRAPH 13 AND I DON'T REALLY SEE ANY
DIRECT RELEVANCE OR CONNECTION TO WHAT IS IN PARAGRAPH
13 TO THAT KIND OF DEVELOPMENT THAT HAS TAKEN PLACE.
WE BELIEVE THAT THE BASIC SITUATION OF THE AMERICAN
ECONOMY IS REALLY QUITE SOUND. WE ARE MEETING THE
TARGETS WE HAD PREVIOUSLY INDICATED. THE RATE OF INFLA-
TION IS DECREASING ACCORDING TO THE LATEST FIGURES SO
IS THE RATE OF UNEMPLOYMENT OF THE RECENTLY ADJUSTED
FIGURES OF GROWTH, OF REAL GROWTH OF GNP. THE FIRST
QUARTER HAD BEEN REVISED UPWARD, THE PROSPECTS FOR THE
SECOND QUARTER ARE EQUALLY GOOD AND THE LIKELIHOOD THAT
WE WILL MEET OUR TARGET OF CLOSE TO 6 PER CENT REAL
GROWTH. COMPARING THE FOURTH QUARTER OF THIS YEAR TO
THE FOURTH QUARTER OF LAST YEAR AND AN AVERAGE GROWTH
OF SOMETHING LIKE 5 PER CENT ARE REALLY GOOD. SO THAT
WHEN YOU TAKE THOSE NUMBERS INTO ACCOUNT AT THE SAME
TIME YOU BEAR IN MIND THAT A GOOD PART OF OUR DEFICIT
THIS YEAR IS ACCOUNTED FOR BY THE VERY HIGH IMPORT
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BILL FOR OIL WHICH IS DUE IN PART TO THE BAD WEATHER
AT THE BEGINNING OF THIS YEAR WHICH IS BOUND TO DECREASE,
AS THE ALASKAN OIL BEGINS TO FLOW AND THE PRESIDENT'S
ENERGY PROGRAM BEGINS TO HAVE EFFECT, WE ARE OPTIMISTIC
ABOUT THE TREND OF THE AMERICAN ECONOMY.

QUESTION 16: DAVID BLAKE, LONDON TIMES. IS IT YOUR
SUGGESTION THAT THE U.S. CURRENT ACCOUNT POSITION WILL
IMPROVE IN COMING YEARS? AND IF THAT IS THE CASE, WHAT
IMPACT WILL THAT HAVE ON THE WORLD ECONOMY?

BLUMENTHAL: WELL, IT HAS CERTAINLY BEEN THE EXPECTATION
AT THE LONDON SUMMIT AND IN THE VARIOUS DISCUSSIONS
WHICH HAVE TAKEN PLACE OVER THE LAST FEW MONTHS AMONG
INTERESTED GOVERNMENTS, THAT AS THE COUNTRIES WITH
TEMPORARILY WEAKER ECONOMIES BRING THEIR SITUATION UNDER

CONTROL, ETABILIZE THEIR SITUATION, AND THEREFORE
IMPROVE THE SITUATION, SO THE SURPLUS COUNTRIES WHO ARE
STRONG ECONOMIES, WHO ARE TAKING STIMULATIVE STEPS
ARE ALSO GOING TO ADJUST THEIR POLICIES. CLEARLY IT IS
NOT INTENDED THE UNITED STATES WOULD FOREVER OR FOR A
LONG PERIOD OF TIME, RUN A SIGNIFICANT DEFICIT OF
CURRENT ACCOUNT WERE VERY LARGE, EVER-INCREASING TRADE
DEFICIT. THAT IS UNINTENDED AND THAT IS NOT NECESSARY
IN OUR VIEW AS OTHER ECONOMIES BRING THEIR SITUATION
UNDER CONTROL AND IT IMPROVES THERE. I THINK
THE STABILITY OF THE DOLLAR IS LIKELY TO BE ASSURED AND
GENERAL STABILITY IN EXCHANGE MARKETS WILL ALSO BE
RESERVED. THANK YOU VERY MUCH.
SALZMAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS18747
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770227-0672
Format: TEL
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770620/aaaaaqxs.tel
Line Count: 670
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5f4b0477-c288-dd11-92da-001cc4696bcc
Office: ACTION PRS
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2037726
Secure: OPEN
Status: NATIVE
Subject: JOINT NEWS CONFERENCE OF SECRETARIES VANCE AND BLUMENTHAL AT OECD, JUNE 24
TAGS: OVIP, (VANCE, CYRUS R), (BLUMENTHAL, W MICHAEL)
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5f4b0477-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009